



California Fair Political Practices Commission

June 24, 1987

William L. Crocker
Assistant to Chairman Tom C. Stickel
TCS Enterprises, Inc.
3878 Old Town Avenue, Suite 202
San Diego, CA 92110

Re: Advice Request on behalf of
Tom C. Stickel
Our File No. A-87-147

Dear Mr. Crocker:

You are assistant to Tom C. Stickel, Chairman and controlling shareholder of TCS Enterprises, Inc. You have written at his request seeking this agency's confirmation of an advice memorandum provided by counsel to the California State University system ("CSU"). Mr. Stickel is a member of the Trustees of the California State University.

QUESTION

Does Mr. Stickel's business involvement with the State Teachers' Retirement System require disclosure of this relationship in his statement of economic interests as a member of the CSU trustees?

CONCLUSION

Mr. Stickel need only disclose economic interests in business entities which do business with CSU, have done business with CSU during the past two years, and will foreseeably do business in the future with CSU. Consequently, unless Mr. Stickel's businesses fall into one of these categories, his investment interest, income from, and business position with, those entities need not be disclosed on his annual statement of economic interests (Form 730).

FACTS

Mr. Stickel is chairman and controlling shareholder of TCS Enterprises, Inc. ("TCS"). TCS and Great American First Savings Bank have formed a joint venture, entitled Mortgage Capital. Mortgage Capital was formed to purchase, package and sell single-family residential loans to major public and

private pension funds. The joint venture is a 50-50 partnership between TCS and Great American and will have as one of its clients the State Teachers' Retirement System ("STRS"). STRS is a separate and distinct entity from CSU. Mr. Stickel is a member of the Trustees of the California State University.

ANALYSIS

The Political Reform Act (the "Act")^{1/} requires, among other things, that public officials disclose relevant economic interests held by them. (Sections 87203, 87206, 87207 and 87302.) In the case of trustees of CSU, these requirements are contained in a conflict of interest code adopted by CSU pursuant to the Act's requirements. (Sections 87300-87312.) As a member of the CSU trustees, Mr. Stickel is required to file an annual statement of economic interests (Form 730). In his disclosure statement, Mr. Stickel is required to disclose any economic interest made reportable by the disclosure categories assigned to trustees by the CSU conflict of interest code.

For the position of trustee, the following relevant disclosure categories are assigned in the CSU conflict of interest code:

Investments in any business entity or income from any source which, within the last two years, has contracted or in the future foreseeably may contract with the campus to provide supplies, materials, including books and periodicals, machinery, equipment, services or work of the type utilized by the campus. For designated employees of a University or College of the California State University and Colleges, "the campus" shall mean the university or College of the employees' service. For designated employees in the headquarters office, "the campus" shall mean each University or College of the California State University and Colleges and the headquarters office or any or all of these.

Category 4.

Investments in any business entity or income from any source in which, within the last two years, the campus

^{1/} Government Code Sections 81000-91015. All statutory references are to the Government Code unless otherwise indicated.

has invested funds or which in the future the campus foreseeably may invest funds. For designated employees of a University or College of the California State University and Colleges, "the campus" shall mean the University or College of the employees' service. For designated employees in the headquarters office, "the campus" shall mean the headquarters office.

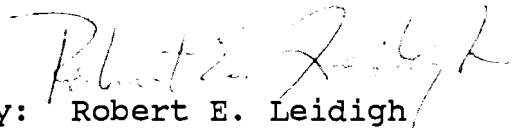
Category 9 (emphasis added).

Mr. Stickel is required to disclose those investment interests which are described in the applicable disclosure categories as set forth above. (Section 87302.) He need not disclose economic interests which do not fall within those categories or other categories assigned to trustees.^{2/} Consequently, if Mortgage Capital or TCS do not fall within this description they need not be reported. The fact that one or both may be doing business with STRS does not require disclosure, unless that fact somehow brings them within his disclosure categories. For instance, if the arrangement between Mortgage Capital and STRS makes it foreseeable that, in the future, Mortgage Capital will also do business with CSU, Mr. Stickel's investment interest in Mortgage Capital would need to be disclosed.

I trust that this letter satisfactorily responds to your question. As additional facts become known in the future, you or Mr. Stickel may wish to consult with us again. If you have questions regarding this letter, I may be reached at (916) 322-5901.

Sincerely,

Diane M. Griffiths
General Counsel


By: Robert E. Leidigh,
Counsel, Legal Division

REL:plh

^{2/} We have not quoted herein certain other disclosure categories which are not relevant to the particular interests discussed herein.



TCS ENTERPRISES, INC.

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May 21, 1987

Ms. Diane M. Griffiths
General Counsel
Fair Political Practice Commission
428 J Street, Suite 800
Sacramento, CA 95804-0807

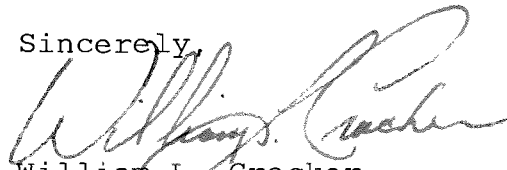
Dear Ms. Griffiths:

I recently received a legal opinion from the California State University General Counsel (copy enclosed) and I would like to have it verified by your analysts. Specifically, the opinion relates to Tom Stickel's status as a CSU Trustee and any conflict of interest reporting requirements he may have with regard to his company's business relationship with the State Teachers' Retirement System (STRS). There is also a potential that his company may someday develop a business relationship with the Public Employees' Retirement System (PERS).

I have enclosed a copy of a recent newspaper article that accurately describes the nature of the enterprise doing business with STRS. To the extent that Mr. Stickel's personal holdings are a question, he is the controlling shareholder of TCS Enterprises, one of the parties in the joint venture agreement.

Please give me a call if I can be of any assistance in your work on this issue.

Sincerely,



William L. Crocker
Assistant to the Chairman

WLC/jf

Enclosure:

cc: Tom C. Stickel

THE CALIFORNIA STATE UNIVERSITY

BAKERSFIELD - CHICO - DOMINGUEZ HILLS - FRESNO - FULLERTON - HAYWARD - HUMBOLDT
POMONA - SACRAMENTO - SAN BERNARDINO - SAN DIEGO - SAN FRANCISCO - SAN JOSE



LONG BEACH - LOS ANGELES - NORTHRIDGE
SAN LUIS OBISPO - SONOMA - STANISLAUS

OFFICE OF GENERAL COUNSEL
(213) 590-5618

May 19, 1987

CONFIDENTIAL

Mr. Tom C. Stickel
T.C.S. Enterprises
3878 Old Town Avenue, Suite 202
San Diego, California 92110

Re: Conflict of Interest Inquiry

Dear Mr. Stickel:

This letter confirms advice given to Mr. William L. Crocker concerning the disclosure requirements on your Annual Statement of Economic Interests (Form 740) which you are required to file each year as a member of the Board of Trustees of The California State University. I advised Mr. Crocker that you have no obligation to list on your annual disclosure statement investments in business entities which have done business or in the future foreseeably may do business with the State Teachers' Retirement System (STRS) or the Public Employees' Retirement System (PERS) but which do not do business with the California State University. Interests in business entities which are required to be disclosed are those which are described in the disclosure categories assigned to members of the Board of Trustees in The California State University Conflict of Interest Code. These disclosure categories, a copy of which is attached, do not require the disclosure of investments in business entities which do business or foreseeably in the future may do business with STRS or PERS. Thus, I advised that any investment in a business entity which does business with PERS or STRS but not with the California State University need not be disclosed by you on your annual disclosure form filed pursuant to The California State University Conflict of Interest Code.

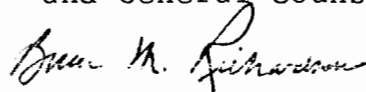
We have provided this confirmation of advice directly to you for your records. We must note, however, that the law provides

Mr. Tom C. Stickel
May 19, 1987
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that only opinions from the Fair Political Practices Commission may be employed as a defense to any action for violation of the Political Reform Act. You may, if you desire, contact them for such an opinion.

Very truly yours,

MAYER CHAPMAN
Vice Chancellor
and General Counsel

A handwritten signature in cursive script, reading "Bruce M. Richardson".

BRUCE M. RICHARDSON
Associate General Counsel

BMR:njk

Attachment

Mortgage Capital looks like \$20 billion

By Rod Riggs
Staff Writer

Mortgage Capital Co., a joint venture formed by TCS Enterprises Inc. and Great American First Savings Bank, is expected to have one of the nation's largest retirement funds among its first customers.

Mortgage Capital was formed to "purchase, package and sell single-family residential loans to major public and private pension funds," according to its original announcement.

Among such funds is the State Teachers Retirement System, a \$20 billion portfolio which is "encouraged" by its overseers to invest in mortgage loans backed by California real estate.

Other state pension and retirement funds are operated as trusts and,

under the same encouragement, also are candidates for mortgage loan portfolios.

A number of financial institutions package mortgage loans for the secondary lending market, but Mortgage Capital is believed to be one of the first to operate as a conduit for California mortgage loans targeted to the pension fund market.

The 50-50 partnership will be managed by a board of four officers each from TCS Enterprises and Great American, according to Tom C. Stickel, chairman and chief executive of TCS. Jon E. Vance, president of TCS Financial, will be president of the new mortgage company.

"The future for mortgage conduit activity is immense," Stickel noted.

Great American, headquartered in San Diego, has about \$8.2 billion in

assets, 117 offices in California and 11 loan origination offices in six other states. The bank reported net income of \$45.7 million, equal to \$3.50 per share, on revenues of \$874.5 million last year. Its stock is traded on the New York Stock Exchange.

TCS Enterprises, founded in 1983, reported record fiscal six months net income of \$281,000, equal to 9 cents per share, on revenues of \$2.6 million. The figures include TCS Enterprises' share of the sale of real estate in a joint venture with Sunland Housing in Riverside.

A year ago, TCS Enterprises re-

ported a net of \$103,000, 4 cents per share, on revenues of \$1.6 million a year earlier.

The company's stock is sold over the counter and is listed on the NASDAQ system.

A TCS subsidiary, TCS Mortgage Banking, reported funding 151 loans for \$21.6 million in April, the most profitable month in its three-year history. Originations dipped slightly to 195 new loans worth about \$28 million, according to Rick Jarrett, president of the mortgage banking operation.



California Fair Political Practices Commission

May 29, 1987

William L. Crocker
TCS Enterprises, Inc.
3878 Old Town Avenue, Suite 202
San Diego, CA 92110

Re: 87-147

Dear Mr. Crocker:

Your letter requesting advice under the Political Reform Act was received on May 26, 1987 by the Fair Political Practices Commission. If you have any questions about your advice request, you may contact Robert Leidigh, an attorney in the Legal Division, directly at (916) 322-5901.

We try to answer all advice requests promptly. Therefore, unless your request poses particularly complex legal questions, or more information is needed, you should expect a response within 21 working days if your request seeks formal written advice. If your request is for informal assistance, we will answer it as quickly as we can. (See Commission Regulation 18329 (2 Cal. Adm. Code Sec. 18329).) You also should be aware that your letter and our response are public records which may be disclosed to the public upon receipt of a proper request for disclosure.

Very truly yours,

Diane M. Griffiths
General Counsel

DMG:plh